

AR20

1991 CANADIAN
ANNUAL REVIEW

STANDARD
LIFE



REVIEW OF 1991

Results

By excelling in all facets of its business, and relying on its financial strength, Standard Life overcame adverse conditions in 1991 to record very satisfactory results.

- Net investment income grew 21% to \$679 million.
- The market value of total assets gained 24% during 1991 to reach \$8.8 billion.
- Net income from Canadian operations was \$56.2 million.
- Yield on investment assets was 11.06%.

Our AAA and Aaa ratings from Standard & Poor's and Moody's, respectively, were very comforting during a period of considerable turmoil in the Canadian economy. The excellent quality of our assets is reassuring to policyholders, investors and the market intermediaries who sell our products and services.

Growth Opportunities

Based on our solid financial position, we expect to benefit from the new opportunities for growth which were officially sanctioned in late 1991 when the Canadian Parliament adopted new legislation expanding the powers of financial institutions, including life insurance companies.

Our policy is to expand into new products and services which match both the needs of current and potential policyholders and investors, as well as the particular strengths of our organization. This allows us to be aggressive and prudent at the same time, an approach that has served our Company, our policyholders and our other customers exceptionally well in the past.

Investment Restrictions

We are disappointed with the failure of the Federal Government to lift investment rules which discriminate against non-Canadian companies such as Standard Life.

These rules, which do not exist in other countries where Canadian institutions conduct business, may restrict our ability to acquire specific Canadian equities which are subject to foreign ownership ceilings.

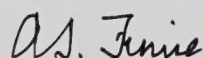
Due to the continuing growth of its Canadian assets, Standard Life requires the flexibility to purchase Canadian equities without restriction. We believe it is totally unjust that, after serving Canadians for almost 160 years, our Company is deemed an inappropriate holder of certain Canadian equities.

Economic Outlook

While the short-term outlook for the Canadian economy is not encouraging, there are promising signs for the future. The Bank of Canada's monetary policy has been successful in curbing inflation and there are indications that the Federal Government is gradually bringing under control the enormous deficits contracted in recent years. These developments, which we support, augur well for the long term. A low-inflation policy is welcomed by companies such as Standard Life which must pay future benefits to policyholders based on current premium income.

Before a healthy recovery takes hold, there will be more strain on the financial sector. Life insurance companies, and Standard Life in particular, remain safe havens for Canadian policyholders and investors in these uncertain times.

In this environment, Standard Life's traditional financial strength will be a precious asset, allowing us to pursue business opportunities aggressively while continuing to manage our assets for maximum long-term gain.



Alastair S. Fernie

President, Canadian Operations

1991 FINANCIAL HIGHLIGHTS*

The Standard Life Assurance Company
Canadian Branch

(in thousands of Canadian dollars)

Assets

Bonds	\$2,170,485
Stocks	483,739
Mortgages and real estate	4,310,284
Segregated funds	411,440
Remaining assets	319,508

Total Assets at Book Value	\$7,695,456
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Liabilities

Actuarial liabilities	\$6,189,713
Segregated funds	411,440
Remaining liabilities	317,695
Retained earnings in Canada	776,608

Total Liabilities and Retained Earnings	\$7,695,456
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Income

Premium income (including segregated funds)	\$1,282,863
Net investment income (excluding segregated funds)	678,860
Net gain on disposal of investments	32,387
Remaining income	76,530

Total Income	\$2,070,640
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Benefits and Expenses

Payments to policyholders and beneficiaries (including segregated funds)	\$ 868,008
Increase in actuarial liabilities	985,484
Increase in liabilities to segregated fund policyholders	36,918
Operating expenses and commissions	110,237
Income and premium taxes	13,765

Total Benefits, Expenses and Taxes	\$2,014,412
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Net Income of the Canadian Branch	\$ 56,228
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* The Consolidated Financial Statements of the Canadian Branch together with the Notes to the Consolidated Financial Statements, the Auditors' Report and the Valuation Actuary's Certificate appear in the Company's detailed Canadian Annual Review. The detailed Canadian Annual Review is available upon request.

A CONTINUOUS STREAM OF INNOVATIVE PRODUCTS

Standard Life's objective is to satisfy the evolving financial services needs of both policyholders and savings product customers while ensuring high investment yields and total asset security. We are continuously adding new products and services while enhancing existing offerings.

Our products cover the following financial needs:

- Protection
- Savings
- Retirement
- Investment

Standard Life products and services are backed by 1,200 dedicated and well-trained employees, modern information technology systems and a well-established distribution network throughout Canada.

Life Insurance Protection

Our *Designer Series* family of individual life products enables customers to build the life insurance package best suited to their needs. The *Designer Series* is an enhanced version of whole life with additional special options such as a *Cash Accumulation Fund* which provides a degree of tax shelter and increased flexibility for dividend earnings.

The fact that Standard Life has an outstanding track record for producing excellent investment returns also provides opportunities for enhanced protection by resulting in improved bonuses for participating policies.

Savings Plans

Through innovative money products, Standard Life offers fund security, attractive investment returns, and flexible options that allow customers to take advantage of market fluctuations. We support our products with sound advice and features that provide for increased savings rates as assets grow. For example, with "asset-based banding," existing registered funds can earn enhanced rates of return on new deposits.

Retirement Planning

Only life insurance companies can offer the combination of a Registered Retirement Income Fund (RRIF) and life annuity, the best retirement income alternative for many individuals. Standard Life is a leader in the RRIF market because it offers the widest choice of products: *Guaranteed* RRIF, *Portfolio* RRIF, the popular *Prepaid* RRIF under which customers may lock in a current rate for future application, and the *Forward Commitment* RRIF which guarantees for the next twelve months the current rate being offered. Under this feature, customers can secure a higher savings rate today if they believe that interest rates will be lower by year-end.

Standard Life continues to be in the forefront of the annuity market with highly flexible features and competitive rates.

Investment Planning

When it comes to investment philosophy, we practice what we preach. Standard Life assets earn excellent returns based on a portfolio of superior quality holdings. For this reason, we believe customers should give due consideration to the advice received from qualified Standard Life agents in satisfying their financial planning needs. Sound advice and personal service will translate into enhanced return on a quality portfolio.

Standard Life . . . a leader in providing Canadians with a continuous stream of innovative products and services.

STANDARD LIFE AT A GLANCE

"Insurers rated AAA offer superior financial security on both an absolute and relative basis. They possess the highest safety and have an overwhelming capacity to meet policyholder obligations."

Standard & Poor's Corporation

Standard Life's trademark is leadership, innovation, and financial stability developed during more than a century and a half of prudent, assertive asset management in the service of Canadian policyholders and other customers.

Standard Life is one of the oldest and strongest financial institutions in the country. We were the first life insurance company in Canada, establishing our operations in 1833. Today our Canadian assets exceed \$8.8 billion at market value.

Headquartered in Montreal, our Company maintains offices in 25 other cities across the country to provide high quality financial products and investment management to customers. Our wholly-owned Bonaventure Trust subsidiary operates in every province coast-to-coast.

Standard Life is a mutual insurance company. We have distributed earnings to policyholders in each year since 1833 through bonus declarations, except during certain war years.

The AAA and Aaa ratings from Standard & Poor's and Moody's, respectively, are the highest ratings awarded and testify to our financial strength. Standard Life in Canada represents the largest offshore entity of the parent company, Standard Life, based in Edinburgh, Scotland, with worldwide assets of \$49 billion. These assets stand squarely behind each insurance policy and every deposit investment that we accept.

BONUS RECORD

Standard Life has declared annual bonuses every year since it established its business in Canada in 1833, with the exception of certain war years. They arise because Standard Life is a profitable mutual insurance company. As a result, net income is redistributed to policyholders through annual bonus declarations.

These reversionary bonuses provide an extra level of insurance protection that grows at an increasing scale and helps offset the effects of inflation. For example, a \$10,000 policy taken out in 1951 provides more than \$37,000 in coverage at the policy anniversary in 1991.

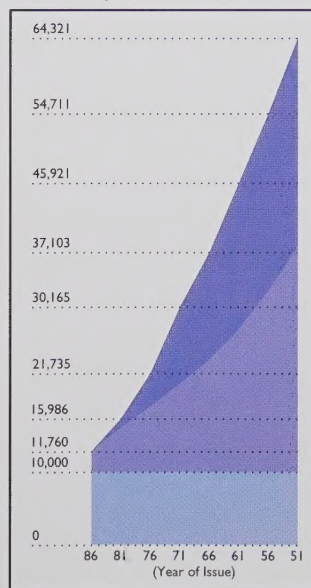
Our commitment to the financial well-being of policyholders and their families is further emphasized with the maturity bonus. Participating policies which have been in force for a minimum of six years are eligible for this additional bonus which is payable either on maturity of the policy or through a death claim. The bonus is calculated as a flat percentage of the coverage.

The maturity bonus can be as high as 70% of the sum assured plus the attaching reversionary bonus for policies in effect over a long period of time.

The original \$10,000 policy in effect since 1951 provides coverage of more than \$64,000 at the policy anniversary in 1991 with the addition of the accumulated reversionary bonuses of \$27,836 and maturity bonuses of \$26,485.

Bonus Table for Claims

Basic Sum Assured
Reversionary Bonus
Maturity Bonus



DIRECTORS

N. Lessels, C.A.
Chairman

Sir Lawrence Airey, K.C.B.
Deputy Chairman

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A.S. Bell, F.F.A., F.P.M.I.

C.A. Crole, C.A.

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OFFICERS IN CANADA

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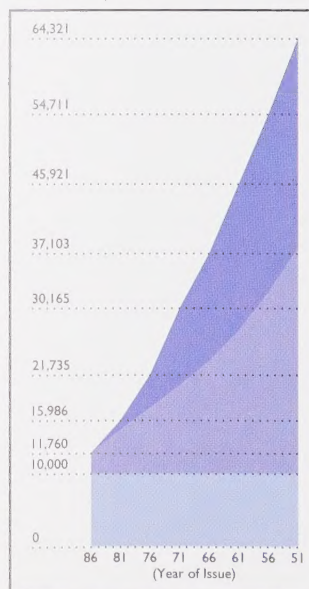
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Valuation Actuary

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Chief Medical Officer

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